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July 18, 1977

Hon. H. G. Homme
Acting Secretary,
Interstate Commerce Commission
Washington, D. C. 20423

RECORDATION NO. 8838-A Filed & Recorded

JUL 20 1977 3 30 PM

INTERSTATE COMMERCE COMMISSION

Dear Sir:

Enclosed for filing with and recording by the Interstate Commerce Commission are an original and four counterparts of a Master Lease dated as of July 18, 1977, between NCNB Leasing Corporation, P. O. Box 120, Charlotte, North Carolina, 28255, and SSI Rail Corp., Two Embarcadero Center, San Francisco, California, 94111 covering the following railroad equipment:

100 general purpose boxcars (AAR Mechanical Designation XM), bearing identifying numbers CCR 6050 to 6141, both inclusive.

6149

Identifying marks on the foregoing equipment: "NCNB LEASING CORPORATION OWNER/LESSOR PURSUANT TO A LEASE AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 20c."

SSI will lease these boxcars to the Corinth & Counce Railroad Company under a Lease Agreement dated as of April 29, 1977, filed with the Interstate Commerce Commission on May 27, 1977 at 1:45 p.m. and assigned recordation number 8838. We, therefore, respectfully request that the document enclosed herewith be cross-referenced to this lease agreement.

The Master Lease is guaranteed by ITEL Corporation, One Embarcadero Center, San Francisco, California, 94111, the parent company of SSI Rail Corp.

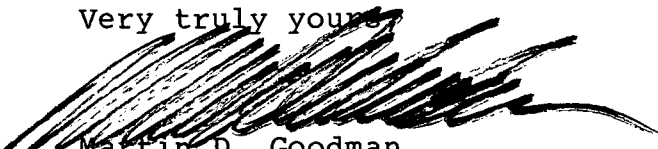
Also enclosed is this Company's check in the sum of \$50.00, payable to the Interstate Commerce Commission, being the prescribed fee for filing and recording the foregoing document.

not
100 units
6141
6050
91
92 units
But
100 c cars
100
units

Hon. H. G. Homme
July 18, 1977
Page 2.

Please return all additional copies of the enclosed counterparts not required by the Interstate Commerce Commission to David Schwartz, Esq., of Sullivan and Worcester, who will be delivering this letter on our behalf.

Very truly yours



Martin D. Goodman
Secretary

MDG:md
Enc.

MASTER LEASE

THIS LEASE, made this 18th day of July, 1977, by and between NCNB Leasing Corporation with its principal office located at Charlotte, North Carolina, hereinafter called "lessor," and

SSI Rail Corp.
Two Embarcadero Center
San Francisco, California 94111

RECORDATION NO. 8858-A Filed & Recorded

JUL 20 1977 3 30 PM

INTERSTATE COMMERCE COMMISSION

hereinafter called "lessee",

WITNESSETH:

For and in consideration of the mutual covenants and promises hereinafter set forth, the parties hereto agree as follows:

1. **Lease.** Lessor hereby leases to lessee, and lessee hereby leases and hires from lessor, all machinery, equipment and other property described in (a) the schedule executed by the parties concurrently herewith or hereafter and made a part hereof, and (b) any schedule or schedules hereafter executed by the parties hereto and made a part hereof. All said machinery, equipment and other property described in all said schedules is hereinafter collectively called "equipment"; and all said schedules is hereinafter collectively called "schedule".

2. **Term.** The term of this lease respecting each item of equipment commences upon whichever of the following dates is earlier:

- (a) The date lessor confirms to the seller of said item of equipment the lessee's purchase order for said item or;
- (b) The date said item of equipment is delivered to lessee.

The term of this lease ends on the date designated in the schedule.

3. **Rent.** The rent for any and every item of equipment described in the schedule shall be the amount designated in the schedule. Lessee shall pay lessor said rent in the amounts and at the times set forth in the schedule, at the main office of lessor, in Charlotte, North Carolina, or to such other person and/or at such other place as lessor may from time to time designate in writing.

4. **Use.** See Schedule A.

5. **Lessee's Inspection; Conclusive Presumptions.** Lessee shall inspect the equipment within forty-eight (48) hours after receipt thereof. Unless lessee within said period of time gives written notice to lessor, specifying any defect in or other proper objection to the equipment, lessee agrees that it shall be conclusively presumed, as between lessor and lessee, that lessee has fully inspected and acknowledged that the equipment is in good condition and repair, and that lessee is satisfied with and has accepted the equipment in such good condition and repair.

6. **Lessor's Inspection.** The equipment shall be located on the premises shown in the schedule. Lessor shall at any and all times during business hours have the right to enter into and upon the premises where the equipment may be located for the purpose of inspecting the same or observing its use. Lessee shall give lessor immediate notice of any attachment or other judicial process affecting any item of equipment and shall, whenever requested by lessor, advise lessor of the exact location of the equipment.

7. **Alterations.** Without the prior written consent of lessor, lessee shall not make any alterations, additions or improvements to the equipment. All additions and improvements of whatsoever kind or nature made to the equipment shall belong to and become the property of lessor upon the expiration, or earlier termination, of this lease.

8. **Repairs.** Lessee, at its own cost and expense, shall keep the equipment in good repair, condition and working order and shall furnish any and all parts, mechanisms and devices required to keep the equipment in good mechanical and working order.

9. **Loss and Damage.** Lessee hereby assumes and shall bear the entire risk of loss and damage to the equipment from any and every cause whatsoever. No loss or damage to the equipment or any part thereof shall impair any obligation of lessee under this lease which shall continue in full force and effect. Upon loss or damage to the equipment, Lessee shall promptly pay Lessor the loss payment as calculated according to American Association of Railroads Field Manual of the Interchange Rule.

10. **Surrender.** See Schedule A.

11. **Insurance.** Lessee shall keep the equipment insured against all risks of loss or damage from every cause whatsoever for not less than the full replacement value thereof as determined by lessor; and shall carry public liability and property damage insurance covering the equipment. All said insurance shall be in form and amount and with companies approved by lessor, and shall be in the joint names of lessor and lessee. Lessee shall pay the premiums therefor and deliver said policies, or duplicates thereof, to lessor. Each insurer shall agree, by endorsement upon the policy or policies issued by it or by independent instrument furnished to lessor, that it will give lessor thirty (30) days written notice before the policy in question shall be altered or cancelled. The proceeds of such insurance, at the option of lessor, shall be applied (a) toward the replacement, restoration or repair of the equipment or (b) toward payment of the obligations of lessee hereunder. Lessee hereby appoints lessor as lessee's attorney-in-fact to make claim for, receive payment of, and execute and endorse all documents, checks or drafts for, loss or damage under any said insurance policy.

12. **Taxes.** Lessee shall keep the equipment free and clear of all levies, liens and encumbrances and shall pay all license fees, registration fees, assessments, charges and taxes (municipal, state and federal) which may now or hereafter be imposed upon the ownership, leasing, renting, sale, possession or use of the equipment, excluding, however, all taxes on or measured by lessor's income.

13. **Lessor's Payment.** In case of failure of lessee to procure or maintain said insurance or to pay said fees, assessments, charges and taxes, all as hereinbefore specified, lessor shall have the right, but shall not be obligated, to effect such insurance, or pay said fees, assessments, charges and taxes, as the case may be. In that event, the cost thereof shall be repayable to lessor with the next installment of rent, and failure to repay the same shall carry with it the same consequence, including interest at the highest lawful contract rate per annum, as failure to pay any installment of rent.

14. **Warranties.** Lessor, not being the manufacturer of the equipment, nor manufacturer's agent, makes no warranty or representation, either express or implied, as to the fitness, quality, design, condition, capacity, suitability, merchantability or performance of the equipment or of the material or workmanship thereof, it being agreed that the equipment is leased "as is" and that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee at its sole risk and expense. Lessee accordingly agrees not to assert any claim whatsoever against the Lessor based thereon. Lessee further agrees, regardless of cause, not to assert any claim whatsoever against the Lessor for loss of anticipatory profits or consequential damages. No oral agreement, guaranty, promises, condition, representation or warranty shall be binding; all prior conversations, agreements or representations related hereto and/or to said equipment are integrated herein. No modification hereof shall be binding unless in writing signed by Lessor. Lessor is not responsible for any repairs, service or maintenance in the leased equipment or the operations thereof.

15. **Indemnity.** Lessee shall indemnify lessor against, and hold lessor harmless from, any and all claims, actions, suits, proceedings, costs, expenses, damages and liabilities, including attorney's fees, arising out of, connected with, or resulting from the equipment, including without limitation the manufacture, selection, delivery, possession, use, operation or return of the equipment.

16. **Security.** As security for the prompt and full payment of the rent, and the faithful and timely performance of all provisions of this lease, and any extension or renewal thereof, on its part to be performed, lessee has pledged and deposited with lessor the amount set forth in the schedule. In the event any default shall be made in the performance of any of the covenants on the part of lessee herein con-

See reverse side for additional terms and conditions which are a part of this lease.

tained with respect to any item or items of equipment lessor shall have the right, but shall not be obligated, to apply said security to the curing of such default. Any such application by lessor shall not be a defense to any action by lessor arising out of said default; and, upon demand, lessee shall restore said security to the full amount set forth in the schedule. Upon the expiration, or earlier termination, of this lease, or any extension or renewal thereof, provided lessee has paid all of the rent herein called for and fully performed all of the other provisions of this lease on its part to be performed, lessor will return to lessee any then remaining balance of said security.

17. **Default.** If lessee with regard to any item or items of equipment fails to pay any rent or other amount herein provided within ten (10) days after the same is due and payable, or if lessee with regard to any item or items of equipment fails to observe, keep or perform any other provision of this lease required to be observed, kept or performed by lessee or if lessee shall default in payment or performance under any other lease, contract or note obligation owing to lessor, lessor shall have the right to exercise any one or more of the following remedies:

- (a) To declare the entire amount of rent hereunder immediately due and payable as to any or all items of equipment, without notice or demand to lessee.
- (b) To sue for and recover all rents, and other payments, then accrued or thereafter accruing, with respect to any or all items of equipment.
- (c) To take possession of any or all items of equipment, without demand or notice, wherever same may be located, without any court order or other process of law. Lessee hereby waives any and all damages occasioned by such taking of possession. Any said taking of possession shall not constitute a termination of this lease as to any or all items of equipment unless lessor expressly so notifies lessee in writing.
- (d) To terminate this lease as to any or all items of equipment.
- (e) To pursue any other remedy at law or in equity.

Notwithstanding any said repossession, or any other action which lessor may take, lessee shall be and remain liable for the full performance of all obligations on the part of lessee to be performed under this lease.

All such remedies are cumulative, and may be exercised concurrently or separately.

Upon the occurrence of any event of default, lessor is authorized at any time, without notice or demand to set-off, appropriate and apply against any sums due hereunder any and all sums of money held by lessor for lessee (whether on deposit or otherwise) and any and all other goods, instruments, security and property of every nature held for lessee.

18. **Bankruptcy.** Neither this lease nor any interest therein is assignable or transferable by operation of law. If any proceeding under the Bankruptcy Act, as amended, is commenced by or against the lessee, or if the lessee is adjudged insolvent, or if the lessee makes any assignment for the benefit of his creditors, or if a writ of attachment or execution is levied on any item or items of the equipment and is not released or satisfied within ten (10) days thereafter, or if a receiver is appointed in any proceeding or action to which the lessee is a party with authority to take possession or control of any item or items of the equipment, lessor shall have and may exercise any one or more of the remedies set forth in paragraph 17 hereof; and this lease shall, at the option of lessor, without notice, immediately terminate and shall not be treated as an asset of lessee after the exercise of said option.

19. **Concurrent Remedies.** No right or remedy herein conferred upon or reserved to lessor is exclusive of any other right or remedy herein or by law or equity provided or permitted; but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time.

20. **Lessor's Expenses.** Lessee shall pay lessor all costs and expenses, including attorneys' fees, incurred by lessor in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions, or provisions hereof.

21. **Assignment.** ~~Without the prior written consent of lessor, lessee shall not (a) assign, transfer, pledge or hypothecate this lease, the equipment or any part thereof, or any interest therein or (b) sublet or lend the equipment or any part thereof, or permit the equipment or any part thereof to be used by anyone other than lessee or lessee's employees. Consent to any of the foregoing prohibited acts applies only in the given instance; and is not a consent to any subsequent like act by lessee or any other person.~~
Except as provided in Paragraph 4.

All rights of lessor hereunder may be assigned, pledged, mortgaged, transferred, or otherwise disposed of, either in whole or in part, without notice to lessee.

22. **Ownership.** The equipment is, and shall at all times be and remain, the sole and exclusive property of lessor; and the lessee shall have no right, title or interest therein or thereto except as expressly set forth in this lease.

23. **Personal Property.** The equipment is, and shall at all times be and remain, personal property notwithstanding that the equipment or any part thereof may now be, or hereafter become, in any manner affixed or attached to, or imbedded in, or permanently resting upon, real property or any building thereon, or attached in any manner to what is permanent as by means of cement, plaster, nails, bolts, screws or otherwise.

24. **Delinquency Fee.** Should lessee fail to pay any part of the rent herein reserved or any other sum required by lessee to be paid to lessor, within ten (10) days after the due date thereof, lessee shall pay unto the lessor a delinquency fee equal to five percent (5%) of the past due rental installment.

25. **Offset.** Lessee hereby waives any and all existing and future claims, and offsets, against any rent or other payments due hereunder; and agrees to pay the rent and other amounts hereunder regardless of any offset or claim which may be asserted by lessee or on its behalf.

26. **Non Waiver.** No covenant or condition of this lease can be waived except by the written consent of lessor. Forbearance or indulgence by lessor in any regard whatsoever shall not constitute a waiver of the covenant or condition to be performed by lessee to which the same may apply, and until complete performance by lessee of said covenant or condition, lessor shall be entitled to invoke any remedy available to lessor under this lease or by law or in equity despite said forbearance or indulgence.

27. **Entire Agreement.** This instrument constitutes the entire agreement between lessor and lessee; is irrevocable and it shall not be amended, altered or changed except by a written agreement signed by the parties hereto.

28. **Notices.** Service of all notices under this agreement shall be sufficient if given personally or mailed to the party involved at its respective address hereinafter set forth, or at such address as such party may provide in writing from time to time. Any such notice mailed to such address shall be effective when deposited in the United States mail, duly addressed and with postage prepaid.

29. **Gender; Number.** Whenever the context of this lease requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural; and whenever the word "lessor" is used herein, it shall include all assignees of lessor. If there is more than one lessee named in this lease, the liability of each shall be joint and several.

30. **Titles.** The titles to the paragraphs of this lease are solely for the convenience of the parties, and are not an aid in the interpretation of the instrument.

31. **Time.** Time is of the essence of this lease and each and all of its provisions.

IN WITNESS WHEREOF the parties hereto have executed these presents the day and year first above written.

LESSOR:

NCNB LEASING CORPORATION

By James C. Carlisle
Title One NCNB Plaza, Charlotte, North Carolina
James C. Carlisle, Senior Vice President

LESSEE:

SSI Rail Corp.

By Donald H. Gleason
Title Donald H. Gleason, Vice President

By _____
Title _____
Two Embarcadero Center
Add: San Francisco, California 94111

SCHEDULE TO MASTER LEASE

Schedule No. 90-20-1435-01

A. EQUIPMENT LEASED:

(100) Pullman Standard XM Boxcars, 70 Ton, 50 Ft. 6 In.
Road #s CCR 6050 Thru 6149 Inclusive.

B. TERM: Unless sooner terminated as set forth in the lease, the term of this lease respecting each item of equipment listed on this schedule expires on August 20, 1992.

C. RENT: As rent for said equipment, lessee shall pay lessor the sum of \$ 4,765,982.12.
Except as otherwise provided in the lease or in this schedule said rent shall be payable in 60 Quarterly installments, commencing on November 20, 1977 as follows:

\$83,709.08 plus taxes on November 20, 1977, followed by 59 Quarterly Installments of \$79,360.56 plus taxes commencing on February 20, 1978.

Unless sooner paid, all said rent shall be payable in any event on or before the expiration or sooner termination of this lease.

D. LOCATION: The above described equipment shall be located at On railroad trackage within the U.S.A. and shall not be removed therefrom without the prior written consent of lessor.

E. DEPOSIT: \$ N/A, pursuant to paragraph 16 of the lease of which this schedule is a part.

F. RENEWAL OPTION: Lessee may renew the lease of which this schedule is a part, on a year-to-year basis, upon expiration of original term thereof, at a rental of \$ N/A per year, and otherwise upon the same terms and conditions of the said lease. Said option may be exercised by lessee's written notice to that effect to lessor, not less than sixty (60) days before the expiration of the term of said lease. Said annual rent shall be payable in advance.

H. SPECIAL CONDITIONS:

See Schedule "A"

APPROVED AND AGREED TO this 18th day of July, 19 77, as
a schedule to that certain lease dated the 18th day of July, 1977,
by and between the parties hereto, and made a part hereof.

Lessor:

NCNB LEASING CORPORATION

By James C. Carlisle
Title James C. Carlisle
Senior Vice President

Lessee:

SSI Rail Corp.

Name of Lessee

By Donald H. Gleason
Title Donald H. Gleason
Vice President
By _____
Title _____

Lessee

(Seal)

One NCNB Plaza, Charlotte, North Carolina 28280

Two Embarcadero Center
Address San Francisco, California 94111

SCHEDULE "A"

This schedule is to be attached to and becomes part of Schedule to Master Leasedated July 18, 1977, between the undersigned and NCNB Leasing Corporation

Paragraph 4 is deleted and amended as follows: Use. Lessee shall pay all expenses of operation and maintenance of the equipment. Lessee shall comply with and conform to all national, state, municipal, police, and other laws, ordinances, regulations in anywise relating to the possession, use or maintenance of the equipment. So long as there shall be no default under this Lease, the Lessee shall be entitled to the possession of the Equipment and shall be entitled (i) to the use of the Equipment by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines or railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, (ii) to permit the use of the Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements and (iii) to sublease any Unit of Equipment to other companies incorporated under the laws of any state of the United States or the District of Columbia, for use in connection with their operations, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign or permit the assignment of any Unit of Equipment to service involving the regular operation and maintenance thereof outside the United States of America. Lessee shall, whenever requested by Lessor, advise Lessor of the exact location of any and all Equipment. Lessee agrees not to sell, assign, sublet, pledge, or otherwise suffer a lien upon or against any interest in the Lease or Equipment except as permitted in this Paragraph 4. Lessee will cause each Unit of Equipment to be kept numbered with the identifying number set forth in the attached Schedule and will keep and maintain, plainly, distinctly, and permanently and conspicuously marked on each side of each Unit of Equipment in letters not less than one inch in height, the words: "NCNB Leasing Corporation, Owner/Lessor pursuant to a Lease Agreement filed with the Interstate Commerce Commission under Section 20c".

Paragraph 10 is deleted and amended as follows: Surrender. As soon as practical on or after the expiration of the original or any extended term of this Lease with respect to any Unit of Equipment, the Lessee will (unless such Unit is sold to the Lessee), at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon the storage tracks of the Corinth and Counce Railroad or other storage tracks that shall not be more than 500 miles from Charlotte, North Carolina. During the period of time during which the Equipment is being returned on or after the original or any extended term of this Lease, the Lessee will pay to the Lessor as "holdover rent" for each such Unit being returned, the daily equivalent of the rental payment in effect pursuant to this Lease on the last rental payment date hereunder for each day elapsed from the date of expiration of the original or any extended term of this Lease, as the case may be, to the date each such Unit is returned to the Lessor pursuant to this Paragraph 10.

This schedule is hereby certified correct and undersigned acknowledges receipt of a copy.

SSI Rail Corp.

Lessee/Debtor

By:

Donald H. Gleason

Its

Vice President

And By: _____

Its _____

SCHEDULE "A"

This schedule is to be attached to and becomes part of Schedule to Master Leasedated July 18, 19 77, between the undersigned and NCNB Leasing Corporation

Paragraph 32 is added as follows: Purchase Option. The Lessee shall have the right to purchase all but not less than all of the Equipment then leased hereunder at the expiration of the original term or of any renewal hereof at a price equal to the then fair market value of such Equipment (as hereinafter defined). The Lessee shall give the Lessor written notice 180 days prior to the end of the term, of its election to exercise the purchase option provided for in this Paragraph. Payment of the option price shall be made at the place of payment of rent in funds then and there current against delivery of a Bill of Sale transferring and assigning to the Lessee all right, title, and interest of the Lessor in and to the Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of the Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Equipment or any other matters. The fair market value of a Unit of Equipment shall be equal in amount to the value which would be obtained in an arm's - length transaction between an informed and willing buyer/user (other than (i) a lessee currently in possession, or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell. If on or before 60 days prior to the date of purchase elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the fair market value of a Unit of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent appraiser. The term appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or, failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected.

Paragraph 33 is added as follows: Tax Indemnification. Lessor, as the owner of the Equipment, shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the "Code"), to an owner of property, including (i) the maximum depreciation deduction with respect to the Equipment authorized under Section 167 of the Code (hereinafter called the "ADR Deduction"), and (ii) investment credit equal to 10% of the Purchase Price of the equipment accepted by the Lessee in 1977 with respect to the aggregate Purchase Price of the equipment pursuant to Section 38 and related sections of the Code (hereinafter called the "Investment Credit").

This schedule is hereby certified correct and undersigned acknowledges receipt of a copy.

SSR Rail Corp.

Lessee/Debtor

By: Donald H. GleasonIts Vice President

And By: _____

Its _____

SCHEDULE "A"

This schedule is to be attached to and becomes part of Schedule to Master Leasedated July 18, 19 77, between the undersigned and NCNB Leasing Corporation

If there shall be a disallowance, elimination, recomputation, reduction, recapture or disqualification (hereinafter called "Loss"), in whole or in part of such Investment Credit or ADR Deduction, Lessee shall, after written request of Lessor pay to Lessor an additional payment to compensate Lessor for (i) the consequent lost cumulative Investment Credit and/or (ii) the consequent lost cumulative deferral of income tax liability resulting from the "ADR Deduction" which may exist thereafter from time to time, as determined by Lessor. Such additional payment shall be an amount which, after deduction of federal and state, city and local income taxes, interest and penalties (after giving credit for any savings in respect of any such taxes, penalties and interest by reason of the payment of any other such taxes arising out of this transaction) required to be paid by Lessor with respect to the receipt of such additional payment will, in the reasonable opinion of Lessor, cause Lessor's net yield in respect of such equipment to equal the net yield that Lessor would have received if Lessor had not suffered a Loss with respect to the Investment Credit or the ADR Deduction. Such additional payment shall be paid no later than the first periodic rental payment due after Lessor notifies Lessee of the required additional payment.

Notwithstanding the provision of the immediately preceding paragraph of this Paragraph 33, Lessee shall not be required to make any payment on account of any Loss with respect to any item of Equipment due solely to:

(a) At any time while such item of Equipment is leased hereunder, and while no default under this Lease has occurred and is continuing unremedied (without the written consent of Lessor), Lessor shall transfer (except to Lessee) its interest in such item of Equipment to anyone or shall otherwise dispose of any interest in such item of Equipment, or shall reduce its interest in the profits from such item of Equipment, and such transfer, disposal or reduction by Lessor shall be the cause of the Loss of the Investment Credit or ADR Deduction;

(b) The failure to properly claim the Investment Credit or the ADR Deduction in the tax returns filed by Lessor or the affiliated group of which it is a member or the failure to follow the proper procedure in claiming the same, and such failure to claim or to follow such procedure, as the case may be, shall preclude Lessor from claiming the Investment Credit or ADR Deduction;

(c) The failure of Lessor to have any federal income tax liability against which to apply the Investment Credit or the inability of Lessor or the affiliated group of which it is a member to utilize the Investment Credit as a result of the limitation imposed by Section 46 (a)(2) of the Code;

(d) Any other act solely of Lessor which directly causes the Loss of all or part of the Investment Credit or the ADR Deduction; provided, however, that the execution and delivery of this Lease and the other documents herein referred to and the carrying out of the transactions contemplated herein and therein in accordance with the terms of this Lease and such other documents shall not be deemed to have caused the Loss of such Investment Credit or the ADR Deduction under this subparagraph (d).

This schedule is hereby certified correct and undersigned acknowledges receipt of a copy.

SSI Rail Corp.

Lessee/Debtor

By:

Donald H. Gleason

Its

Vice President

And By:

Its

SCHEDULE "A"

This schedule is to be attached to and becomes part of Schedule to Master Leasedated July 18, 1977, between the undersigned and NCNB Leasing Corporation

In the event that Internal Revenue Service proposes an adjustment on a United States corporation income tax return of the Lessor or the affiliated group of which it is a member which adjustment, if successful, could result in a Loss in whole or in part of Investment Credit or ADR Deduction for which Lessee would be required to indemnify Lessor, Lessor hereby agrees to exercise in good faith its best efforts to avoid such payment.

In furtherance of the above, in the event a claim shall be made by the Internal Revenue Service that the Investment Credit or ADR Deduction should be denied or disallowed, or recaptured, Lessor agrees, except as hereinafter provided (i) to promptly notify Lessee in writing of such Loss, (ii) not to make payment of the tax claimed for at least 30 days after the giving of such notice and (iii) to give Lessee any relevant information relating to such Loss which may be particularly within the knowledge of the Lessor; and Lessor further agrees to take such action in connection with contesting such claim as Lessee shall reasonably request from time to time, including administrative appeals, proceedings, hearings, and conferences with the Internal Revenue Service in respect of such claim and proceedings in the appropriate United States District Court, United States Court of Claims, or the United States Tax Court, including such appeals as are allowable for each such proceeding; provided that:

(a) Within 30 days after notice by Lessor to the Lessee of such claim, Lessee shall make a request that such claim be contested;

(b) Lessor, at its sole option, may forego any and all administrative appeals, proceedings, hearings, and conferences with the Internal Revenue Service in respect of such claim and may, at its sole option, either pay the tax claimed and sue for a refund in the appropriate United States District Court or the United States Court of Claims as Lessor may elect, or contest such claim in the Tax Court of the United States, considering, however, in good faith, any request made by Lessee concerning the manner of contesting the claim;

(c) Prior to taking such action, Lessee shall have furnished Lessor with an Opinion of its tax counsel to the effect that a meritorious ground exists for resisting such claim and describing such ground; and

(d) Lessee shall have indemnified Lessor in a manner satisfactory to Lessor for any liability or loss with regard to such claim which Lessor may incur as the result of contesting such claim, and shall have agreed to pay Lessor on demand all costs and expenses which Lessor may incur in connection with contesting such claim including, without limitation, (i) reasonable attorney's fees and accountants' fees and disbursements, (ii) the amount of any interest and penalties which may ultimately be payable to the United States Government as the result of contesting such claim, and (iii) in the event Lessor shall, in connection with any such claim, pay the tax claimed and then seek a refund, reimburse Lessor, on demand, an amount equal of the tax paid plus interest and penalties paid by Lessor, if any.

This schedule is hereby certified correct and undersigned acknowledges receipt of a copy.

SSI Rail Corp.

Lessee/Debtor

By:

Donald H. Gleason

Its

Vice President

And By:

Its

SCHEDULE "A"

Schedule to Master Lease

This schedule is to be attached to and becomes part of _____

dated July 18, 19 77, between the undersigned and NCNB Leasing Corporation

If any such claim referred to above shall be made by the Internal Revenue Service and Lessee shall have requested Lessor to contest such claim as above provided and shall have duly complied with all of the terms hereof, Lessee's liability under this Paragraph with respect to such Loss shall become fixed upon final determination of Lessor's liability for such Loss. In the event Lessee does not request Lessor to contest such claim as provided in this Paragraph 33, the liability of Lessee shall become fixed to Lessor at the time Lessor makes payment of the tax attributable to such Loss. In the event any such claim is contested, Lessor shall prosecute such contest diligently and in good faith and shall keep Lessee informed of the status thereof.

In the event that Lessor had paid the tax claimed and received reimbursement therefor from Lessee and obtained a refund thereof from the government, such refund together with any interest paid by the government (but not to exceed the amount of Lessee's payment to Lessor hereunder) shall be paid to Lessee promptly after receipt thereof by Lessor.

It is understood and agreed that nothing in this Paragraph 33 shall be deemed to impose upon Lessee any liability arising out of any claims other than those for which Lessee has indemnified Lessor relating to the Investment Credit and ADR Deduction. Lessee agrees not to take such action nor file such returns inconsistent with Lessor's right to claim the benefits of such deductions, credits, and benefits as provided under the Code.

All of Lessor's rights and privileges arising from the indemnities contained in this Agreement shall survive the expiration or other termination of the Lease and such indemnities are expressly made for the benefit of and shall be enforceable by Lessor, its successors and assigns.

This schedule is hereby certified correct and undersigned acknowledges receipt of a copy.

SSI Rail Corp.

By: _____

Donald H. Gleason
Vice President

Its _____

And By: _____

Its _____

Indemnification and Installation Certificate

To: NCNB Leasing Corporation

Reference is made to the Agreement(s) dated July 18, 1977 between the undersigned and NCNB Leasing Corporation calling for Sixty (60) Quarterly payments in the amount of See Below * each. We are pleased to confirm to you as follows:

1. All of the equipment described in the above Agreement(s) has been delivered to and received by the undersigned; that all installation or other work necessary prior to the use thereof has been completed; that said equipment has been examined and/or tested and is in good operating order and condition and is in all respects satisfactory to the undersigned and as represented, and that said equipment has been accepted by the undersigned and complies with all terms of the above Agreements. Consequently, you are hereby authorized to pay for the leased equipment in accordance with the terms of any purchase orders for the same.
2. In the future, in the event that said equipment fails to perform as expected or represented we will continue to honor the above Agreement(s) by continuing to make quarterly payments in the normal course of business and we will look solely to the seller or manufacturer for the performance of all covenants and warranties. In addition, we indemnify NCNB Leasing Corporation and hold them harmless from any nonperformance of the aforementioned equipment.
3. We acknowledge that NCNB Leasing Corporation is neither the manufacturer, distributor or seller of the equipment and has no control, knowledge or familiarity with the condition, capacity, functioning or other characteristics of the equipment.

This certificate shall not be considered to alter, construe, or amend the terms of the aforesaid Agreement(s).

Dated this 15th day of August, 19 77

Witness

SSI Rail Corp.

(Signature of individual or name of corporation or partnership)

By Donald H. Gleason
Vice President

Title

* \$83,709.08 plus taxes on November 20, 1977, followed by 59 quarterly payments of \$79,360.56 plus taxes commencing on February 20, 1978.

GUARANTY

NCNB Leasing Corporation
Charlotte, North Carolina

July 18, 1977

As an inducement to you to lease property to SSI Rail Corp. (hereinafter referred to as "Obligor") and in consideration thereof, the Undersigned hereby absolutely and unconditionally guarantees to you, your successors and assigns, the due and punctual payment of, and the faithful and prompt performance of all the terms and conditions contained in the Master Lease and Schedule to Master Lease dated July 18, 1977 (hereinafter referred to as "Instrument") between Obligor and you, including all renewals, extensions and modifications thereof, whether such payments may become due and payable by acceleration or otherwise (hereinafter referred to as "Liabilities of Obligor"). If Obligor fails to pay any rent after the same is due and payable, you shall notify the Undersigned and the Undersigned shall have five days to pay said rent before you exercise your option to accelerate payment of rent pursuant to the Instrument. The Undersigned further agrees to indemnify you against any losses you may sustain and expenses (including reasonable attorney's fees) you may incur as a result of any wrongful act by Obligor with respect to the Liabilities of Obligor.

The Undersigned agrees that its primary obligation hereunder shall not be affected by, and that you may without notice to Undersigned make, any compromise, settlement, release, renewal, extension (including without limitation any extension or renewal of the term of any lease held by you with Obligor), indulgence, change in or modification of any of the Liabilities of Obligor, and the Undersigned further agrees that its primary obligation hereunder shall not be affected by any redelivery, repossession, surrender or destruction of any property leased or sold to Obligor.

It is understood that said Instrument may be accepted or created by or with you at any time and from time to time without notice to, or the consent of, the Undersigned, and the Undersigned hereby expressly waives any presentment, demand, protest, and notice of dishonor or default by Obligor in said Instrument.

You, in your discretion, may receive and accept from time to time any securities or other property as collateral for said Instrument, and may surrender, compromise, exchange and release absolutely the same or any part thereof at any time without notice to the Undersigned and without in any manner affecting the obligation and liability of the Undersigned herein created.

The payment by the Undersigned to you of any amount pursuant to its primary obligation hereunder shall not entitle Undersigned (whether by subrogation or otherwise) to any right of possession of, or title or interest in, any property leased or sold by you to Obligor.

This obligation and liability on the part of the Undersigned shall be a primary, and not a secondary, obligation and liability, payable immediately upon demand without recourse first having been had by you against the Obligor or any person, firm, or corporation; and the Undersigned hereby waives the benefits of all provisions of law for stay or delay of execution or sale of property or other satisfaction of judgment against the Undersigned on account of the primary obligation and liability of Undersigned herein created, in the event that judgment be obtained therefor against the Obligor and execution thereon returned unsatisfied, or in the event it is shown that the Obligor has no property available for the satisfaction of the indebtedness, obligation and liability guaranteed hereby, or until any other proceedings can be held.

This agreement shall remain in force until a written notice revoking it has been received by you from Undersigned; but such revocation shall not release the Undersigned from liability to you, your successors and assigns, or the owners and holders of any of the instruments evidencing the Liabilities of Obligor, on account of any Liabilities of Obligor then in existence or from any renewals or extensions thereof in whole or in part (including without limitation a renewal or extension of the term of any lease held by you with Obligor), whether such renewals or extensions are made before or after such revocation, and with or without notice to or consent of the Undersigned.

This obligation shall be construed in accordance with the laws of the State of North Carolina and shall inure to the benefit of and be binding upon the heirs, executors, legal representatives, successors and assigns of the Undersigned and you; when signed by more than one shall be the joint and several obligations of each.

IN WITNESS WHEREOF, the Undersigned has caused this instrument to be executed by its officers and its corporate seal to be affixed hereto on the day and year first above written.

(CORPORATE SEAL)

ATTEST:

Itel Corporation

By

Secretary

STATE OF NORTH CAROLINA)
)
CITY OF CHARLOTTE)
)
MECKLENBURG COUNTY)
) ss.

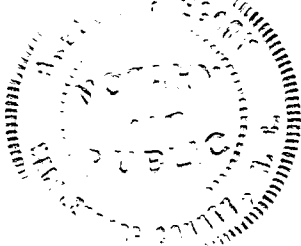
On this 18th day of July, 1977, before me personally appeared James C. Carlisle to me personally known, whom, being by me duly sworn, says that he is Senior V.P. of NCNB Leasing Corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation and that the said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My commission expires:

My Commission Expires August 1, 1978

(Notary Seal)

Pamela Gregory
(Notary Public)



STATE OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO

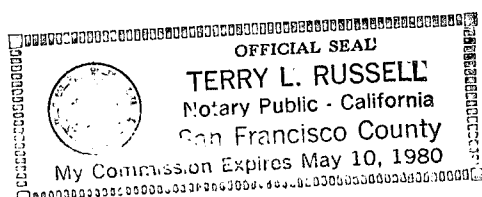
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) ss.
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On this 18 day of July, 1977, before me personally appeared Donald W. Gleason, to me personally known, whom, being by me duly sworn, says that he is Vice President of SSI Rail Corp., that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation and that the said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My commission expires:

(Notary Seal)

Terry L. Russell
Notary Public



STATE OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO

)
) ss.
)

On this 18 day of July, 1977, before me personally appeared Herbert M. Elliott, to me personally known, whom, being by me duly sworn, says that he is Vice President of Itel Corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation and that the said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My commission expires:

(Notary Seal)

Terry L. Russell
(Notary Public)

